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23 January 1958




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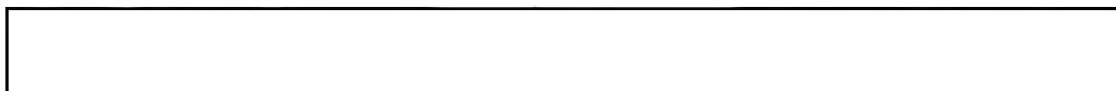
CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF

HEADLINE ITEM

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OK
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The junta will probably continue Venezuela's pro-US, anti-Communist policy, give civilian factions a substantial voice in the new government, and gradually relax Perez's tight controls over individual liberties and political activities. The possibility exists, however, that sporadic or even widespread violence may occur, particularly if military and civilian groups vie for control. This could endanger American residents and private investments in Venezuela even though not inspired by anti-US sentiment. There is no indication of a threat to US interests at present.

The new regime may expel former Argentine President Peron, whose use of Caracas as a headquarters for plotting against the Aramburu regime caused a break in Argentine-Venezuelan relations last July.

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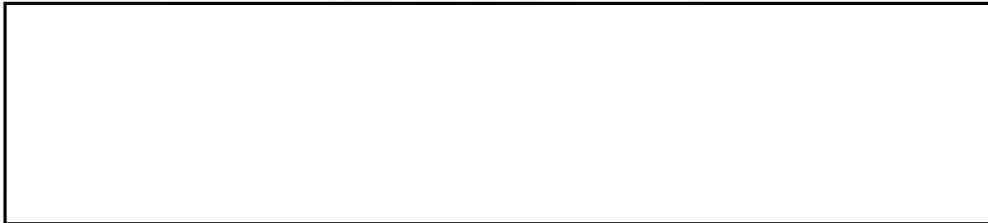
I. THE COMMUNIST BLOC

ok The USSR and its Warsaw Pact allies may be planning to announce countermeasures to the December NATO meeting decisions. The Soviet military attaché in Warsaw said that Khrushchev and Gomulka in their recent secret meeting considered the interrelationship among Warsaw Pact arrangements, the Rapacki plan, and the decisions at the Paris NATO meeting.

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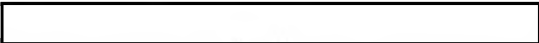
II. ASIA-AFRICA



The Indonesian Government may soon be faced with the loss of one of its most important sources of foreign exchange. Anti-Djakarta authorities in Sumatra are apparently planning to sequester oil export earnings. Indonesian authorities have initiated measures aimed at thwarting barter trade between Sumatra and Singapore.



UN Secretary General Hammarskjold plans to push ahead with his plan for a Middle East development fund, financed by oil revenues, as the only approach in his view now possible for preventing serious deterioration in the area. His preliminary discussions with Britain and France, as well as with selected Arab statesmen, have evidently led him to believe that there are some prospects for success. However, Arab inability to work together on combined projects as well as strong local self-interests will be difficult obstacles to overcome.

No
X  Egyptian Air Force (EAF) strength on MIG-type fighters has increased to 120

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(80 MIG-17's, 40 MIG-15's) from a previously estimated 90. In addition, Egypt has another 28 older British jet fighters for a total jet fighter strength of 148. Estimates of IL-28 jet light bomber strength have been raised from 35 to 45. These figures compare with 106 jet fighters and no jet light bombers credited to the Israeli Air Force. Despite some improvement in combat capability, the EAF is still considered to be inferior to the Israeli Air Force.

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III. THE WEST

UN Secretary General Hammarskjold suggests bilateral US-USSR disarmament talks under cover of a February meeting of the Security Council at the foreign minister level, with Britain and France occasionally included. Hammarskjold thinks his plan might be accepted by the USSR as a means of bringing about bilateral talks with the US and that such discussions might eventually lead to a summit conference.

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Clarification of Guatemalan election returns awaits Congressional review beginning 23 January. The leftist Revolutionary party has already emerged as an important political force, and may have polled at least a quarter of the total vote.

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I. THE COMMUNIST BLOC

Secret Khrushchev-Gomulka Talks

At an Argentine Embassy reception in Warsaw on 20 January, the Soviet military attaché told the US military attaché that he understood the recent Khrushchev-Gomulka talks dealt with a consideration of the interrelationship of the Warsaw Pact arrangements, the Rapacki plan, and the December NATO decisions. Reports that several Soviet and Polish generals were present suggest that military affairs were a major topic. The discussions may have ranged over other subjects, including party affairs and economic aid to Poland.

Khrushchev told an American journalist in November that the decision to equip Warsaw Pact forces with nuclear weapons and missiles "will depend on the line to be followed" by NATO countries. The Soviet leaders may be urging the Poles to agree to Warsaw Pact countermeasures to the NATO decisions. Gomulka, however, may have serious reservations about the stationing of advanced weapons in Poland, and probably maintains that a Warsaw Pact meeting now would be ill timed in view of current Western discussion of the Rapacki plan.

Polish officials have been closemouthed about the talk. British Foreign Office officials have commented that the length of the talks suggests considerable disagreement, a view supported by the fact that no official comment has been made. They feel that Moscow's lead in announcing the meeting may indicate that it was sought by Khrushchev.

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Indonesia's Economic Problems

The seriousness of Indonesia's economic problems has again been underlined by the report that Finance Minister Sutikno Slamet, one of the few competent members of the cabinet, intends to resign unless barter trading by the outer regions is stopped. The regions have made no move to reduce this illegal trade since the government's 11 January decree ordering all such trade to cease, and Djakarta's ability to enforce its order is limited.

Indonesian authorities are nevertheless attempting to check illegal trading between Sumatra and Singapore. The Indonesian consul in Singapore has informed local shippers that bank guarantees would be required to cover the value of ships as well as cargo for all transactions under the so-called "legal barter trade." This action is apparently designed to prevent ships engaged in this trade from deviating from stipulated routes and ports of call. Evidently as part of this effort, eight Singapore-registered vessels are being detained by Indonesian authorities, presumably on grounds of illegal trading.

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Middle East Development Fund

UN Secretary General Hammarskjold plans to push ahead with his plan for a Middle East development fund as the only approach now possible in his view to prevent serious deterioration in the area. To start the project rolling, a UN Secretariat study on the possibility of channeling Middle East oil profits into a central banking system for Arab development will be privately circulated to interested UN members. Hammarskjold hopes that issuance of the study will induce the Arabs to call a meeting to organize such a bank. His preliminary discussions with Britain and France as well as with selected Arab statesmen have evidently led him to believe there are some prospects for such economic cooperation among the Arabs. Arab inability to work together on common projects and strong local self-interests, however, will be difficult obstacles to overcome.

The idea of utilizing Middle East oil revenues to finance inter-Arab development schemes has been discussed periodically for several years. The Arab League "decided" in 1956 to form an Arab Development Bank, and last December Egyptian Foreign Minister Fawzi indicated that a preliminary agreement had been reached by Egypt, Saudi Arabia, and Iraq. However, the principal oil-producing countries have so far been reluctant to make significant cash contributions.

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III. THE WEST

No back-up material.

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The Director

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